

BUSINESS & LABOR

VOTE YES ON SB 311 Credit Scoring Law

Limitations on Use; Consumer Protections; Regulator Oversight

EXHIBIT NO. 2
DATE 1-21-09
BILL NO. SB 195

Introduction: SB 311 limits an insurer's use of credit information. The bill is based on a National Conference of Insurance Legislators [NCOIL] model and is the result of extensive national hearings where input was sought and received from legislators, consumer groups, regulators, insurance agents, and insurers. The National Association of Insurance Commissioners [NAIC] has endorsed the model bill. The model bill is now passed in 27 states and is currently receiving favorable consideration in other states. SB 311 provides valuable consumer protections and much needed uniformity among states in the regulation of the responsible use of this valuable underwriting tool.

The following is a brief summary of the primary elements of the SB 311.

Consumer Protections

1. Limits use of credit information for all personal lines of insurance. Sec. 3.
2. **Prohibits** use of factors such as **income, gender, address, zip code, ethnicity, religion, marital status, or nationality** in developing an insurance score. Sec. 5(1)(a).
3. Prohibits denial, cancellation, or nonrenewal based solely on credit information. Sec. 5(1)(b).
4. Prohibits setting rates based solely on credit information. Sec. 5(1)(c).
5. Prohibits adverse action against a consumer based solely on a failure to have a **credit card**. Sec. 5(1)(d).
6. Prohibits negative treatment based on **absence of credit history**. Sec. 5(1)(e).
7. Requires insurers to use credit information that is more recent than 90 days old in most cases. Sec. 5(1)(f).
8. On annual renewal policies, at consumer's request, **requires insurers to recalculate or rerate** the consumer based on current credit information. Sec. 5(1)(g).
9. Prohibits use of the following information in calculating an insurance score (Sec. 5(1)(h)):
 - a. inquiries related to **shopping for insurance** coverage.
 - b. collection accounts related to **medical bills**.
 - c. information related to **home mortgage and insurance shopping**.
 - d. information related to **automobile and auto insurance shopping**.
 - e. inquiries generated for promotional purposes.
10. Requires exceptions protecting consumers who suffer an **extraordinary event**. Sec. 5(2).

Dispute Resolution Requirement: Insurers must reconsider an applicant or any adverse action if it is determined by dispute resolution that the consumer's credit information was incorrect. Sec. 6.

Notice to the Consumer:

1. At time of application: Insurers must notify consumers that they may obtain credit information. Sec. 7.
2. For any adverse action: Insurers must notify the consumer of adverse action; why the action was taken; how to obtain a copy of his/her credit report; and how to correct the credit report if there is an error. Sec. 8.

Filing of Scoring Models: All scoring models used by an insurer must be filed with the Auditor. Sec. 9.

Consumer Data May Not Be Sold: Prohibits the sale of consumer's information submitted with an insurance inquiry. Sec. 11.

Auditor Authority: Enforcement under the Unfair Trade Practices Act, Title 33, Chapter 18. Sec. 13.